

PUBLIC SERVICE COMMISSION OF WISCONSIN

Minutes and Informal Instructions of the Open Meeting of Thursday, December 3, 2009

The Public Service Commission of Wisconsin (Commission) met as noticed. Present were Chairperson Callisto, Commissioner Meyer, and Commissioner Azar.

Minutes

The Commission approved the minutes of the Open Meeting of Friday, November 20, 2009.

The minutes of the meetings of Friday, October 30, 2009; and Thursday, November 12, 2009; were laid over at the request of the Commission.

5-AE-198 – Application of American Transmission Company LLC and Madison Gas and Electric Company for Approval of the Cardinal Substation-West Middleton Substation Property Real Estate Purchase Affiliated Interest Agreement

The Commission approved the Notice of Investigation and directed it be signed by the Secretary to the Commission on behalf of the Commission.

4220-CE-169 – Northern States Power Company – Wisconsin, an Xcel Energy Company, Request for Approval to Construct a Biomass Gasifier at its Bay Front Generating Facility

This item was laid over at the request of the Commission.

2815-TI-105 - Application of CenturyTel of the Midwest-Kendall, LLC for Approval of an Alternative Regulation Plan

2930-TI-104 – Application of CenturyTel of Wisconsin, LLC for Approval of an Alternative Regulation Plan

4260-TI-103 – Application of CenturyTel of the Midwest-Wisconsin, LLC for Approval of an Alternative Regulation Plan

Petitions to Reopen

The Commission, on its own motion, treated the request of CenturyLink (formerly known as CenturyTel) as a motion for reopening the Final Decisions and granted the requested change in the reporting deadline.

The Commission, on its own motion, treated the request of CenturyLink as a motion for reopening the Final Decisions and granted the requested change in the dates for permitted rate increases.

The Commission, on its own motion, treated the request of CenturyLink as a motion for reopening the Final Decision and granted the requested extensions of the plan end dates to accommodate the scheduled access rate decreases and to avoid material errors of law.

The Commission rejected the request of Verizon to reopen the Final Decisions to amend § 2.5 in the plans for failure to show material errors of law or fact.

The Commission, on its own motion, treated the request of Verizon as a motion to reopen and granted the amendment of § 4.3.1 in the plans, as proposed, to avoid material errors of law.

The Commission rejected Verizon's request to reopen and amend § 4.3.4 in the plans for failure to show material errors of law or fact.

The Commission directed the Telecommunications Division to draft an order consistent with its discussion.

137-CE-147 – Application of American Transmission Company, as an Electric Public Utility, to Construct a New 345 kV Transmission Line from the Rockdale Substation to the West Middleton Substation, Dane County, Wisconsin

Request of the Town of Pleasant Springs to Reopen Docket

The Commission did not approve the request made on behalf of the Town of Pleasant Springs to reopen this docket to consider moving a portion of the approved 345 kilovolt Rockdale-West Middleton transmission line to the south side of Interstate 90.

The Commission directed the Gas and Energy Division to draft an order consistent with its discussion.

5830-CW-102 – Application of Village of Suring Water Utility, Oconto County, Wisconsin, to Construct a Well No. 2 Arsenic Removal Treatment System

The Commission approved the Notice of Investigation and directed it be signed by the Secretary to the Commission on behalf of the Commission.

5-UR-104 – Joint Application of Wisconsin Electric Power Company and Wisconsin Gas LLC, both d/b/a We Energies, for Wisconsin Electric Power Company to Increase its Electric, Natural Gas and Steam Rates and for Wisconsin Gas LLC to Increase its Natural Gas Rates

The Commission continued its discussion in this docket regarding one remaining issue, the Wisconsin Pollutant Discharge Elimination System (WPDES) settlement agreement.

The Commission determined that the WPDES settlement agreement, as modified by Alternative 2 in the comment letter filed by Wisconsin Electric Power Company dated November 25, 2009, was acceptable to include for the years 2010-2011.

The Commission directed the Gas and Energy Division to draft an order consistent with its discussion.

3270-UR-116 - Application of Madison Gas and Electric Company for Authority to Change Electric and Natural Gas Rates

The Commission discussed the record in this docket and made determinations, including the following:

1. The test year fuel cost should not be based on the Commission staff's proposed alternative gas cost recovery method. The Commission authorized a hybrid alternative method similar to that approved in the Wisconsin Electric Power Company and Wisconsin Power and Light Company rate cases.

Chairperson Callisto dissented.

2. Commission staff's electric sales forecast shall be used to establish the test year revenue requirement except for RG-1. Commission staff shall review and provide adjustments to the Commission.
3. An additional \$78,000 in lobbying costs shall be excluded from the Commission staff's estimate of Outside Services expenses.
4. Madison Gas and Electric Company's (MGE) updated estimate of pensions and benefits expense should be included in the electric and natural gas revenue requirement.

5. Rate recovery is approved for the costs MGE estimates it will incur in 2010 for advanced meters, distribution automation, and plug-in hybrid vehicle charging stations that the utility is required to match in order to receive economic stimulus grant as money. This approval is conditioned upon MGE submitting, as part of its 2012 rate filing, innovative rate designs that take advantage of the ability of the new Smart Grid projects.
6. It is reasonable to include the impact of the equivalent of a 2 percent furlough in the test year. Management can decide how best to accommodate the revenue requirement reduction in a manner that does not harm the safety and reliability of the utility system.
7. MGE is directed to file for a modified one-for-one Gas Cost Recovery Mechanism (GCRM) so that it can be in place by November 1, 2010.
8. The current incentive GCRM's 60/40 ratepayer/shareholder sharing percentages should not be changed at this time.
9. It is reasonable for the Commission to determine what and how much debt imputation to include in the financial capital structure, based on its own assessment and allocation of any associated risk rather than the assessment of any rating agency.
10. No debt equivalent for MGE's off-balance sheet obligations for its wind-related purchase power agreements is imputed into the financial capital structure for the test year.
11. A reasonable estimate of the debt equivalent of MGE's off-balance sheet obligations for its wind-related land leases to be imputed into the financial capital structure for the test year is \$1,718,000.00, with the cost of \$114,000.00 to be added back into the revenue requirement to create the proper incentives and ensure protection of ratepayers.
12. No debt equivalent for MGE's off balance sheet obligations for its asset retirement obligations is imputed into the financial capital structure for the test year.
13. A reasonable rate of return on equity for MGE for the test year is 10.4 percent.

Commissioner Meyer dissented.

14. A reasonable rate for MGE's short-term borrowing through commercial paper is 0.65 percent.

15. It is reasonable to allow ratepayer recovery of the net hedging costs associated with the debt securities issued under MGE's authorization in docket 3270-SB-127. Prior Commission approval will be required for recovery of hedging transactions costs should MGE wish to seek ratepayer recovery.
16. The current Commission policy of reviewing the results of several types of cost-of-service studies shall be used when allocating revenue responsibility.
17. The electric revenue allocation proposed by staff shall be approved with the exception of CP-1, which shall be set at approximately 3.7 percent, adjusted for the final revenue requirement.
18. Rate designs for the residential and small commercial rate classes that collect relatively more revenue from energy charges and less from customer charges and demand charges shall be approved.
19. MGE shall submit a detailed proposal by September 1, 2010, to transfer the Cg-1 customers to the Cg-4 rate, with implementation to be in 2011. The Cg-1 rate shall be closed to new customers.
20. The Cp-1 rate design proposed by Commission staff shall be approved, as adjusted for the final revenue requirement.
21. The changes to the Sp-3 rate structure proposed by MGE shall be approved. Commission staff shall work with MGE and the University of Wisconsin-Madison (UW) to prepare a revenue neutral rate proposal for the Commission within 3 months in regard to this tariff and the electric service for the UW.
22. The current green pricing premium shall be increased to 1.25 cents per kilowatt-hour.

Commissioner Azar dissented.
23. The Commission approved the Act 141 allocation and rate factors proposed by Commission staff.
24. The parallel generation, Pg-1, on-peak buyback rates should be increased by 4.5 percent and the off-peak rates decreased by 10 percent. The monthly charge will remain unchanged.
25. MGE shall submit an analysis and a plan to implement additional pricing periods for its time-of-day rates by September 1, 2010.

26. MGE shall submit a proposal by September 1, 2010, to bid its interruptible loads into the Midwest Independent Transmission System Operator, Inc. (MISO) market as price sensitive load.
27. MGE shall submit a proposal by September 1, 2010, to bid its air conditioner direct load control program into the MISO market as price sensitive load.
28. MGE may not create a new GSD-4 Super Large Commercial and Industrial Distribution Service class for high usage/high load factor commercial customers.

Chairperson Callisto dissented.

The Commission directed the Gas and Energy Division to draft an order consistent with its discussion.

The Commission adjourned the meeting at 12:42 p.m.

Sandra J. Paske
Secretary to the Commission